International Business News

Google and Facebook rivalry takes centrestage

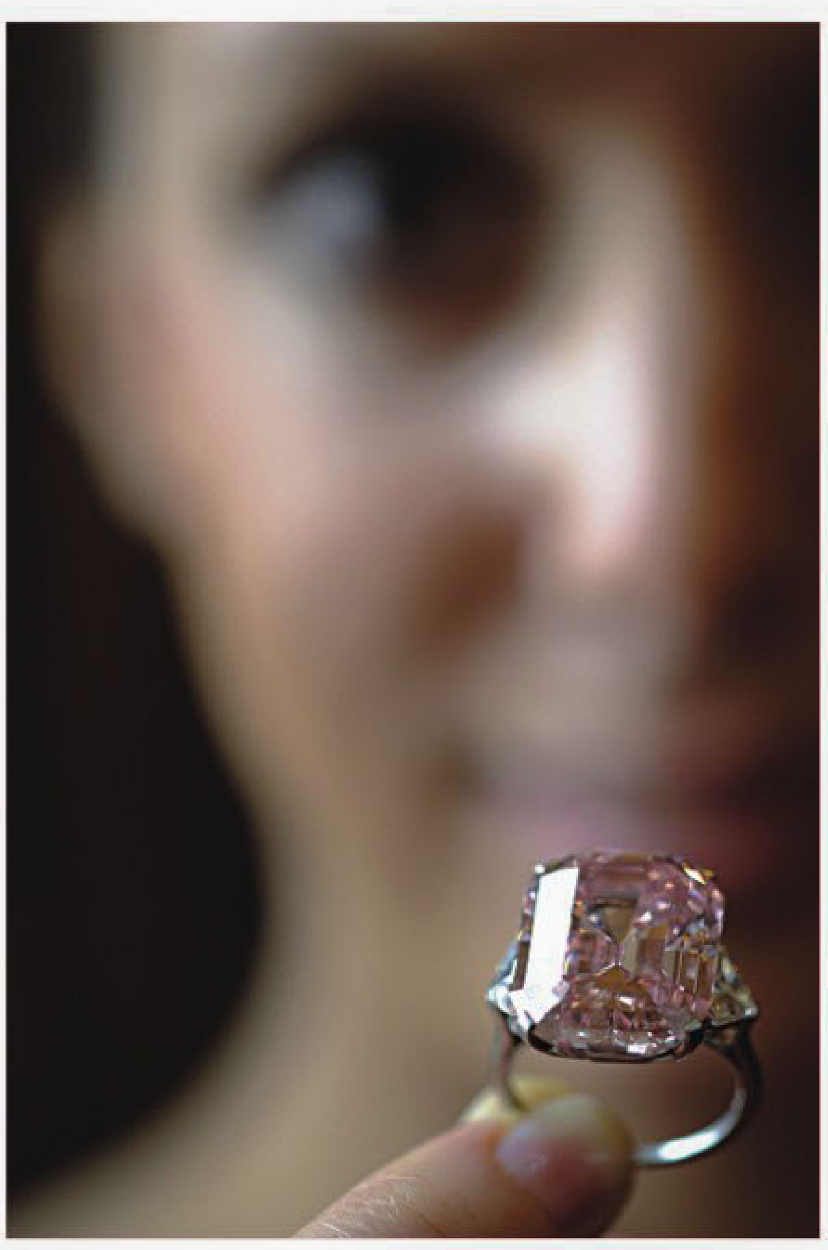
REUTERS, *San Francisco*

The technology industry's latest rivalry takes centrestage next week when Internet powers Google Inc and Facebook lay out their competing visions to create a new generation of Web services at a high-profile conference in San Francisco.

The relationship between the two Internet icons has become increasingly confrontational, and the battle will likely intensify on Monday when Facebook is expected to introduce a revamped version of its messaging technology that could pose a challenge to Google's Gmail.

Facebook Chief Executive Mark Zuckerberg and Google Chief Eric Schmidt will each take the stage, along with dozens of other Internet industry heavyweights, during the 3-day Web 2.0 conference that kicks off Monday.

With reports swirling that Yahoo Inc is being eyed for a takeover by private equity firms, possibly in coordination with AOL Inc or News Corp. Yahoo Inc CEO Carol Bartz's talk at the conference on Tuesday will also be closely watched.



AFP

A model poses with a 24.78 carat fancy intense pink diamond during a Sotheby's auction preview in Geneva on Wednesday. The rare diamond mounted in a ring is valued at $38 million and will go on sale on Tuesday in Geneva. The gemstone, a type that accounts for just two percent of diamonds, was last seen on the market about 60 years ago when it was sold by legendary US jeweller Harry Winston.

Coal India in talks for Massey, Peabody mines

REUTERS, *Mumbai*

State-run Coal India is in talks to buy mines from US-based Peabody Energy and Massey Energy, according to a media report citing the company's chairman.

"They expressed interest in offering certain mines to us and we are looking at that," Partha Bhattacharyya said in a report by the Associated Press carried in the Economic Times newspaper on Saturday.

"The discussions are continuing," the report quoting him as saying. He declined to provide further details.

Coal India recently raised $3.4 billion in the country's largest initial public offering.

The company has said it is looking to make acquisitions in Australia, Indonesia and the United States, and the report said Coal India has budgeted $1.2 billion to buy assets in those countries during the fiscal year that ends in March.

Acer, Ferrari unveil joint smartphone model

REUTERS, *Helsinki*

Ferrari and Acer unveiled on Friday a joint new smartphone model using Google's Android software, hoping to boost its so far limited role in the increasingly crowded smartphone market.

The version of Acer's Liquid model -- with production limited to 200,000 -- will be Ferrari branded and sold with pre-loaded content from the company and its racing team.

"The Ferrari branded device will help lift Acer's latest phone above the ever-crowded Android devices market where it is hard to tell many of the lower cost products apart," said Ben Wood, head of research at British consultancy CCS Insight.

The world's second largest PC vendor Acer entered the smartphone industry last year, aiming to reach 6 to 7 percent of the market in three to five years.

Tata Steel net beats forecast

REUTERS, *Mumbai*

Tata Steel reported forecast-beating quarterly results on better demand and higher prices, and said it would raise up to $1.6 billion in additional capital as it looks to cut debt and invest in its European operations.

The world's No. 7 steelmaker said it was seeing strong demand in emerging markets, including its home operations, and hoped for a gradual recovery in Europe despite headwinds there.

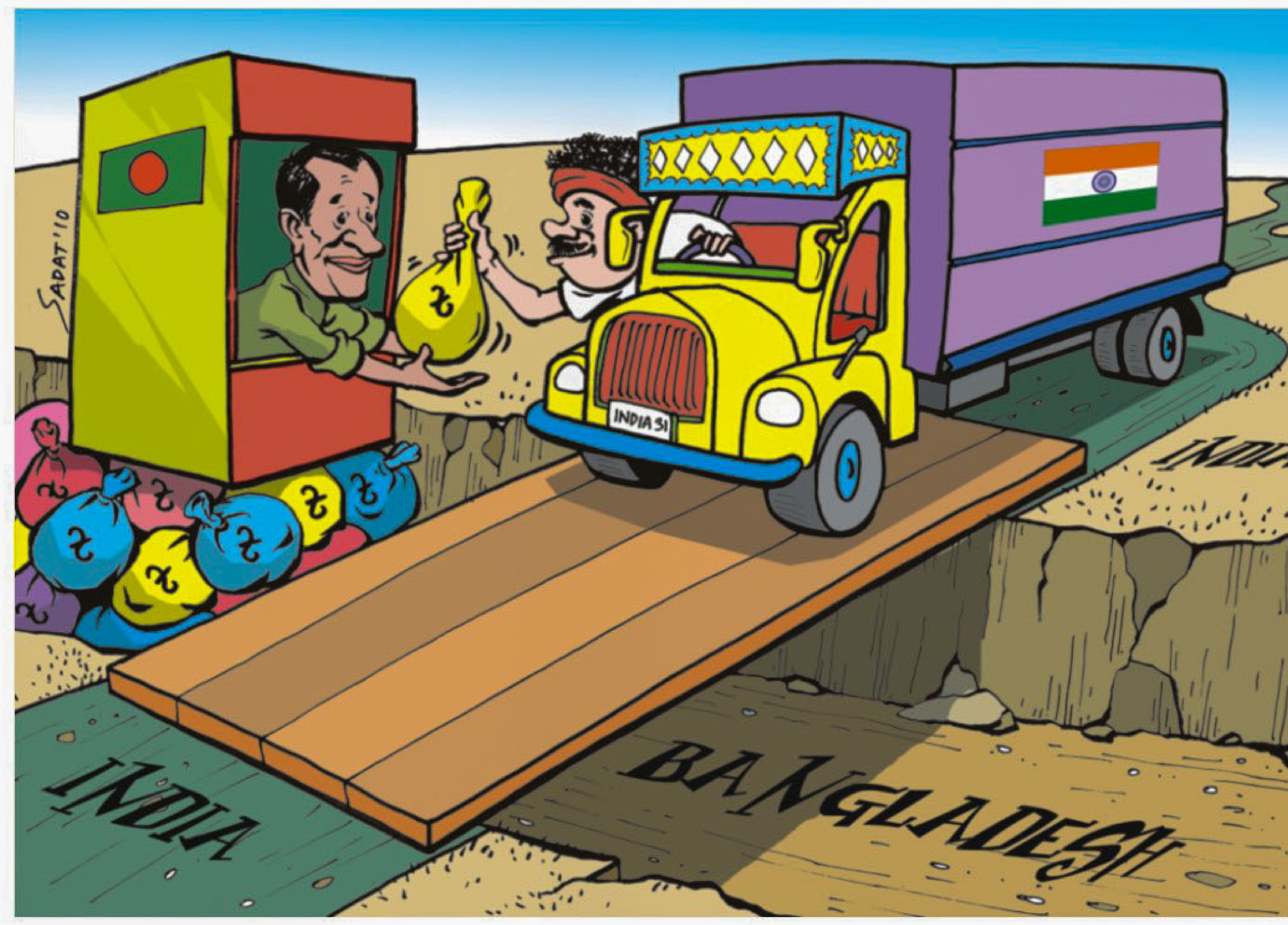
"Capex in Europe during the crisis time had been held back because of our focus on conserving liquidity," Chief Financial Officer Koushik Chatterjee told reporters after the results announcement.

"We think this is the right time to invest in value-creating assets to boost cost-competitiveness and differentiate our products in the market," he said, without specifying how much they would invest in the European operations.

COLUMN

Debate over transit fees

SADIQ AHMED



Landlocked countries have a huge geographical disadvantage in transport costs and many such countries are amongst the poorest developing countries. To offset this natural disadvantage, a number of international conventions have been formulated that seek to ensure freedom of transit for these countries.

These include: Convention and Statute on Freedom of Transit, Barcelona, 1921; Convention on the High Seas, Geneva, 1958; United Nations Convention on the Law of the Sea, Montego Bay 1982; Convention on Transit Trade of Land-Locked States, New York, 1965; and World Trade Organisation, The General Agreement on Tariffs and Trade (GATT).

These UN conventions all provide for freedom of transit. The WTO agreement, in particular, lays down clear rules and obligations for member countries in the matter of transit access, including what are considered as proper levies and charges in relation to transit.

Despite this well-defined international convention, there is debate and confusion in Bangladesh on transit fees and the implementation of the trade and transit agreements reached by Bangladesh and India in January 2010. These agreements were laid out in the joint communiqué issued in New Delhi on January 12, when Prime Minister Sheikh Hasina visited India.

The communiqué broadened the transit trade routing options for India's landlocked northeast states to the rest of India and abroad from river routes only to include road, rail and ports of Bangladesh. It also offered similar opportunities to Bhutan and Nepal. This policy change is undoubtedly a bold step in the right direction and will have far reaching positive implications for Bangladesh as well as other northeastern countries of South Asia (India, Bhutan and Nepal). The main challenge is implementation.

I have written quite a bit on gains for Bangladesh from this move in previous articles and in this note, I will focus on the transit fee issue that seems to have become a sticky point, at least in public and political debates.

Article V of the WTO GATT lays down the following agreed principles governing transit trade.

1) There shall be freedom of transit through the territory of each contracting party via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or any circumstances relating to the ownership of goods, of vessels or any other means of transport.

2) Any contracting party may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered.

3) All charges and regulations imposed by contracting parties on traffic in transit to or from the territories of other contracting parties shall be reasonable having regard to the conditions of traffic.

4) With respect to all charges, regulations and formalities in connection with transit, each contracting party shall accord to traffic in transit to or from the territory of any other contracting party treatment no less favorable than the treatment accorded to traffic in transit to or from any third country.

There are some other provisions of Article V but I have focused on the ones most relevant to the discussion here. The main point is that transit trade cannot be subject to any customs duties or fees/charges that are purely transit related. The economic rationale for these is fairly straightforward.

First, custom duties are levied in the country of destination where the goods are actually used.

And second, a pure transit fee is like a rent on geography. It is tempting to argue that a transit fee should be charged as a percentage of cost saving for the landlocked country owing to the transit access. If Bangladesh starts charging fee based on its geographical location, the same can be done by Nepal or China, which are located upstream from where the Ganges and the Brahmaputra flow, who might then threaten to stop all water flows downstream without payment of rent by downstream countries. It is proper that international conventions define rights and obligations in matters of sharing common resources such as water, air and land and sea routes with a view to minimising the disadvantages conveyed by geography.

However, the UN convention rightly recognises that there are genuine costs of providing transit access by the host country that must be recognised and compensated by the guest country.

These costs are identified above to include: transportation services (if used), administrative expenses and charges for use of services. Of these three categories, the third is most significant. Even if guest countries use their own transport facility, transit may involve the use of port services, road services, or rail network services.

These are economic services that require real resources in terms of investment in fixed assets as well as financing of operations and maintenance by a host country and as such, a guest country is justifiably obliged to pay user fee for these services.

There are well-known principles for determining user charges of transport networks. From economic theory, the notion of social marginal cost is a well-accepted principle for determining the user charges.

The term 'social', as opposed to 'private', is advocated in order to internalise the external costs (such as congestion, environmental pollution; added incidence of accidents from extra traffic) along with the financial cost of network provision and maintenance. These costs will need to be properly identified and estimated, and also regularly updated. The institution of transport network service charges as transit fees will have the additional benefit of levying similar charges for domestic users and thereby commercialising the transport industry. The benefit for resource mobilisation can be substantial.

The writer is the vice-chairman of Policy Research Institute of Bangladesh.

APEC MEETING

US warns on exports, China pledges reform

REUTERS, *Yokohama, Japan*

US President Barack Obama called for surplus economies such as China to end reliance on exports for growth, but his Chinese counterpart cautioned that economic policy change would come gradually.

Obama and Chinese President Hu Jintao spoke to Asia-Pacific business executives a day after a summit in Seoul of the Group of 20 major economies managed only vague commitments to keep a fragile global economic recovery on track.

They then joined other leaders of the Asia-Pacific Economic Cooperation (Apec) group for a weekend of talks on policies to ensure balanced growth and the establishment of a vast free trade area in the world's fastest growing economic region.

"One of the important lessons the economic crisis taught us is the limits of depending primarily on American consumers and Asian exports to drive economic growth," Obama said.

"Going forward, no nation should assume that their path to prosperity is simply paved with exports to America," he said on the final leg of a 10-day tour that has also taken him to India, Indonesia and South Korea.

The United States and China have been fussing over who is doing more damage to international trade. Washington contends the yuan is undervalued, giving it an export advantage, while Beijing argues the

AFP

US President Barack Obama addresses the CEO Business Summit on the sidelines of the Asia-Pacific Economic Cooperation summit in Yokohama in Japan yesterday.

US Federal Reserve's easy-money policy is aimed at weakening the dollar to boost exports.

Hu, taking the podium shortly after Obama, told the business forum China wanted to expand domestic demand growth and remained committed to reforming its exchange rate "on the basis of retaining initiative, controllability and gradualness".

"China will continue making encouraging a balanced international balance of payments an important task in ensuring macro-economic stability," Hu said.

The G20 countries are trying to find ways of bringing down overly large current account surpluses and deficits among major economies to head off potentially destructive protectionism.

Hanging over the summit as well are acrimonious disputes between host Japan and both China and Russia over neighboring islands.

Hu barely smiled when he shook hands with Japanese Prime Minister Naoto Kan as he welcomed APEC leaders to a lunch ahead of the start of their summit.

Later, the Japanese government announced that Hu and Kan had met for 22 minutes, the first formal chat between the two leaders since the territorial row erupted in September.

Relations between Asia's two biggest economies have been soured by the dispute over isles in the East China Sea near potentially vast oil and gas reserves. Public anger has been fueled by the recent leaking of a video that shows a Chinese fishing boat appearing to steer into Japanese patrol vessels.

Thousands of Japanese took to the streets on Saturday to protest what they see as an imperialistic China in Yokohama, a port city known for having Japan's biggest Chinatown, with anti-globalization activists, helmeted left-wing students, and other nationalist groups also marching.

The shouts of one group of protesters could be heard inside the sprawling conference center, demanding the return of islands claimed by Japan but held by Russia.

Tokyo's relations with Moscow chilled after Russian President Dmitry Medvedev visited an island claimed by both countries.

Medvedev and Kan met on the sidelines of the Apec summit, both saying they hoped their talks would mean stronger relations.

APEC is for the first time championing a collective growth strategy, emphasizing balanced and sustainable growth, an elusive goal when the global economy is split between cash-rich exporters and debt-burdened importers.

The leaders will pledge to take steps to create a vast Free Trade Area of the Asia-Pacific (FTAAP) in the region, home to 40 percent of the world's population and 53 percent of global economic output, by building on existing pacts.

An Asia-Pacific free trade area would link the world's top economies with some of its fastest-growing ones such as Indonesia, Thailand and Mexico.